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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 02/07/06

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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, Feb. 6

NIHON KEIZAI (Page 2) (Full)
February 7, 2006

08:12

Met Deputy Chief Cabinet Secretary Nagase at Kantei.

09:00

Attended a meeting of the Lower House Budget Committee.

12:06

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Arrived at Kantei.

13:00

Returned to the Lower House Budget Committee.

17:03

Attended a party executive meeting.

17:31

Attended a cabinet meeting. Later, met Foreign Minister Aso.

17:54

Arrived at Kantei.

18:41

Returned to his official residence.

4) Japan, North Korea fail to reach agreement on comprehensive "settlement of past accounts"; North Korea frowns on Japan-proposed economic cooperation formula

TOKYO SHIMBUN (Top play) (Full)
February 7, 2006

Takaharu Watanabe, Beijing

The Japanese and North Korean governments yesterday held negotiations on diplomatic normalization at a Beijing hotel. Responding to the North's request for a "settlement of past accounts," Japan revealed an economic cooperation formula so as to resolve all issues across the board. But the North Korean team argued against Japan's proposal, saying that a single approach is inadequate. The two nations thus failed to reach agreement.

Taking part in the talks were Japanese Ambassador for Diplomatic Normalization Koichi Haraguchi and his North Korean counterpart, Song Il Ho.

In the talks, Haraguchi pointed out that the Japan-North Korea Pyongyang Declaration, signed by Prime Minister Junichiro Koizumi and General Secretary Kim Jong Il, specifies that North Korea will waive all claims on Japan's colonial rule, while Japan will provide North Korea with economic cooperation. Elaborating on the mechanisms of Japan's official development assistance (ODA) and its results, Haraguchi sought the North Korean team's agreement on a Japanese plan to offer an economic cooperation package.

Song, however, frowned on Japan's plan, and both sides failed to reach agreement.

The North Korean negotiators called for improvement of the social status of North Korean residents in Japan, as well as a proper response to the action taken by the Resolution and Collection Corporation (RCC) toward North Korean-affiliated credit unions.

On the issue of cultural assets from the colonial era, the North Korean negotiators demanded that Japan provide compensation for the assets it destroyed or took home.

The Japanese negotiators called on North Korea to pay for such costs as the cleanup of oil leaked from a North Korean ship that had foundered off Hitachi Port in Ibaraki Prefecture in 2002 and interest on rice aid.

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So far, negotiations on normalization of diplomatic ties have been held 13 times. This round was the first since October 2002.

5) Poll: 71% urge tough stance toward North Korea, including sanctions

NIHON KEIZAI (Page 2) (Full)
February 7, 2006

In a recent public opinion survey conducted by the Nihon Keizai Shimbun on Feb. 2-5, a total of 71% said Japan should take a strong stance, including economic sanctions, in negotiating with North Korea. The figure was up 4 percentage points from the last survey taken in December 2005. The public now is even more insistent on a hard-line stance toward North Korea. The proportion of those insisting Japan should urge North Korea to soften its attitude through dialogue and humanitarian aid was 18%, down 2 points from the last survey.

6) Prime Minister to call on Iran to halt nuclear development

YOMIURI (Page 4) (Full)
February 7, 2006

In a meeting of the House of Representatives Budget Committee yesterday, Prime Minister Koizumi said in reference to the International Atomic Energy Agency's (IAEA) adoption of a resolution calling for the Iranian nuclear issue to be referred to the United Nations Security Council:

"We need to work on Iran (to have it reflect on its activities) so that the nation will not be isolated in the international community. Ranking officials of the Iranian government may visit Japan."

He indicated that he would directly work on Iran to swiftly suspend activities linked to uranium enrichment. This remark was in response to a question by New Komeito Policy Research Council Chairman Inoue.

7) Aso denies he called Taiwan a country

MAINICHI (Page 2) (Full)
February 7, 2006

Foreign Minister Taro Aso called Taiwan a country time and again in his speech delivered on Feb. 4. In addition, Aso also said Japan contributed to improvements in Taiwan's compulsory education. But Aso denied his remarks. "I've never said Taiwan is a country," Aso told a news conference yesterday. "I know it's problematical to say Taiwan is a country, and I'm not that stupid," Aso added.

In his Feb. 4 speech, Aso remarked: "The literacy rate and other factors have now improved, so Taiwan is a country whose educational level is extremely high. That's why Taiwan is able to catch up with the modern age."

Taiwan does not want dispute

Taipei, Tetsuya Shoji

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In his recent remarks, Foreign Minister Taro Aso linked Taiwan's high level of education to Japan's one-time colonial rule over Taiwan. In this regard, Taiwan's Foreign Minister Huang Zhi-fang said yesterday, "I hope he will not bring about any dispute with Taiwan as well."

8) DPJ head Maehara concentrates fire on DFAA big-rigging scandal

YOMIURI (Page 4) (Full)
February 7, 2006

In a meeting of the House of Representatives Budget Committee yesterday, Democratic Party of Japan (Minshuto) head Maehara took the floor as the first questioner from the opposition camp and focused his attack on the bid-rigging scandals involving the Defense Facilities Administration Agency (DFAA). Minshuto is poised to grill the government at the Budget Committee over the DFAA scandals, the beef issue, the Livedoor incident, and the quake-resistance data falsification scam as a set. Maehara first took aim at the DFAA scandals, for which Defense Agency Director General Nukaga has been pressed to take responsibility. In questioning, Maehara pursued the responsibility of Nukaga as supervisor, arguing, "Taxpayers' money has been wasted (as a result of the bid-rigging practices)." He added: "The entire picture should be shown, including what jobs have been done (at contractors) and how retired DFAA officials have landed on posts there. This is the condition for starting deliberations (on the budget)."

Prime Minister Koizumi only replied: "Such debates should be fully conducted in discussion on the budget. We will submit necessary data through debates."

After the questioning session, Maehara told reporters: "We are determined to thoroughly pursue the government over the four issues and also to present countermeasures."

9) USFJ realignment: Gov't in trouble with Defense Agency's isolation, DFAA's bid-rigging scandal, Iwakuni plebiscite

MAINICHI (Page 2) (Full)
February 7, 2006

The government is now in a bind over the realignment of US forces in Japan. For one thing, the Defense Agency's lack of coordination has brought a note of discord into the government. For another, the Defense Facilities Administration Agency's bid-rigging scandal has been brought to light. Furthermore, there is a backlash from municipalities against US military realignment plans. In this move, the city of Iwakuni in Yamaguchi Prefecture has clarified that it will conduct a plebiscite. All are concerned with the Defense Agency's responsibility. Meanwhile, Japan has promised the United States to work out a final report on the US military realignment in March. This timetable, however, is becoming increasingly difficult to keep.

"Citizens should be provided with an opportunity to express their will." With this, Yamaguchi Prefecture's Iwakuni Mayor Katsusuke Ihara clarified a plan on Feb. 2 to poll his city's population in March over whether to accept the planned redeployment of US carrier-borne fighter jets to Iwakuni base. Late last year, the

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Japanese and US governments released an interim report naming Iwakuni for the redeployment of US fighters. The mayor was apparently feeling that he could not shoulder the responsibility alone. In Iwakuni, local business communities were in favor of the redeployment plan. The government was therefore optimistic, with an official saying Iwakuni is easier than other municipalities to coordinate with. That is why the government is growing impatient and nervous about a possible spread of those moves to Okinawa and other base-hosting localities. What if Iwakuni votes down the redeployment in its referendum? In that case, a government official presumes that it will be impossible to obtain a local consensus before the final report.

Another focus is Futenma airfield in Okinawa Prefecture. The Japanese and US governments have agreed to relocate the heliport functions of Futenma to a site in the island prefecture's northern coastal city of Nago. However, Nago Mayor Tateo Kishimoto has refused to sit down with the government. The government has been unable to find a way out of the impasse.

In addition, the DFAA has been involved in a bid-rigging scandal. In this case, a number of DFAA officials were arrested. The scandal is likely to involve even more. The opposition is pursuing Defense Agency Director-General Fukushima Nukaga's responsibility. Defense Agency officials have their hands full with the scandal.

The interim report is now facing a backlash from within the government. "The Defense Agency didn't undertake prior consultation and decided with the US side on its own," one official said. There also has been no progress in discussions on the advisability of sharing costs for the planned relocation of Okinawa-based US Marines to Guam. "The Defense Agency said it would pay for building a base overseas for a foreign country, but we've never heard of such a thing," a Finance Ministry official said.

On Jan. 31, Chief Cabinet Secretary Shinzo Abe expanded a cabinet ministerial meeting at the Defense Agency's request to talk about the US military redeployment. The Defense Agency asked for cooperation in that meeting. However, other government ministries and agencies are growing distrustful of the Defense Agency, with one official saying that the Defense Agency is trying to spread the responsibility in case it fails. The Defense Agency's isolation has yet to be dissolved.

10) Iwakuni mayor to propose referendum in a day or two on plan to relocate carrier-borne aircraft to Iwakuni base

YOMIURI (Page 2) (Full)
February 7, 2006

Iwakuni Mayor Katsusuke Ihara has decided to propose a municipal referendum in a day or two on a plan to relocate carrier-borne aircraft to US Marine Corps Iwakuni Air Station in Yamaguchi Prefecture. Ihara has also notified Iwakuni Assembly Chairman Toshiyuki Kuwahara and other groups that are opposed to a referendum that he will not withdraw the plan. The referendum is expected to take place on March 12.

11) Defense chief suggests giving consideration to locals while affirming Cape Henoko plan

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ASAHI (Page 4) (Full)
February 7, 2006

In connection with the fact that Mayor Tateo Kishimoto of Nago, a relocation site for US Marine Corps Futenma Air Station, released a statement the other day rejecting separate talks with the government, Defense Agency Director General Fukushima Nukaga told a press conference yesterday:

"Talks are underway between Japan and the United States based on principles in an interim report. We have been working hard to minimize the local burden."

Nukaga thus indicated that the government would give consideration to flight routes and noise while suggesting maintaining a Cape Henoko plan, as agreed upon between Japan and the US.

Defense Agency Administrative Vice Minister Takemasa Moriya also stressed in the press conference yesterday that the government would keep working on Nago to persuade the city to accept the Cape Henoko plan.

12) Defense Agency Establishment Law revision bill adopted in cabinet meeting

MAINICHI (Page 2) (Full)
February 7, 2006

The government yesterday held a cabinet meeting, in which it adopted a bill to revise the Defense Agency Establishment Law in order to restructure the Defense Agency with a number of steps, such as establishing a defense facilities division for the realignment of US forces in Japan. The bill will be presented to the Diet today. The government will implement it this summer.

The Defense Facilities Administration Agency is in charge of administrative affairs regarding US military facilities. In the case of US military realignment, however, there are many plans that are linked to defense policies. The government will set up a defense facilities division in the Defense Agency's Defense Policy Bureau.

13) LDP weakened in Diet battle due to set of four issues; LDP lawmakers praise Koizumi reform drive, willing to change "tidal flow"; Nakagawa takes offensive with eye on atmosphere in the party

TOKYO SHIMBUN (Page 2) (Full)
February 7, 2006

The ruling Liberal Democratic Party (LDP) struggled yesterday to create a "Diet session focused on administrative reforms" during debate on the fiscal 2006 budget in the Budget Committee of the House of Representatives. The government and ruling parties have only defended so far against the attacks by opposition parties, which have secured a "set of four weapons" to attack the government and ruling camp. During the Diet battle yesterday, the LDP seemed to have wanted to change the tidal flow.

Four LDP lawmakers, including Policy Research Council Chairman

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Hidenao Nakagawa, who took the floor at first, praised the Koizumi reform initiative, spending four hours and 15 minutes.

Nakagawa stated:

"Opposition parties are trying to apply the brakes on our reform efforts under the name of 'Diet on safety.' I feel danger that would drag the Japanese economy back into darkness and change Japan back into a loser in the world."

Nakagawa sought to check the main opposition party Minshuto (Democratic Party of Japan, which characterizes the current Diet session as a "session to debate safety affairs."

Following Nakagawa, former labor minister Bunmei Ibuki expressed indignation on behalf of Prime Minister Junichiro Koizumi, arguing,

"I think it is extremely regrettable that the opposition parties say that the Koizumi reform drive is to blame for the Livedoor scandal and the earthquake-prevention data falsification scan."

Akira Amari, acting chairman of the Policy Research Council, also, praised the Koizumi reform drive, saying, "The reform drive has certainly produced achievements," enumerating the data showing an increase in foreign investment in Japan and other factors.

Koizumi, who received supportive statements, expressed again his enthusiasm to continue to carry out his reform drive. He stated, "I take the criticism humbly, but I cannot implement the reforms while maintaining the status quo."

Not only Koizumi but also especially Nakagawa probably do not want to see a Diet session where debate is focused only on the "negative aspects" of the reforms.

Nakagawa in concert with Internal Affairs and Communications Minister Heizo Takenaka has had the leadership in working out a series of reform measures, including the integration of government-affiliated financial institutions. With the revelation of the Livedoor scandal, however, Takenaka, who supported former Livedoor Corp. President Takafumi Horie (who has been arrested on suspicion of violating the securities law) in last year's Lower House general election, has come under fire. As a result, anti-Koizumi feelings are erupting again in the LDP and Nakagawa's influence in the party has declined. Nakagawa's questions at yesterday's session seem likely to be his declaration of the offensive.

"You made good questions. You did a good job," Koizumi told Nakagawa in a board meeting of the LDP yesterday evening. The question is whether Koizumi can bring back the trend of "administrative Diet." The opposition will shift gears upward for questions on a full-scale from today.

14) LDP split over issue of impact of Koizumi reforms on income gap

YOMIURI (Page 4) (Excerpts)
February 7, 2006

The impact of the Koizumi administration's ongoing structural

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reforms on the widening wealth gap took center stage in a meeting of the House of Representatives Budget Committee yesterday. Four questioners from the Liberal Democratic Party (LDP) stressed the positive results achieved through the reforms and the need for continued reform efforts. But the meeting underscored the fact that views are not unified among LDP members on specific ways of promoting reforms.

Among the four LDP members, Policy Research Council Chairman Nakagawa, a close aide to Prime Minister Koizumi, took the floor as the first questioner. Nakagawa denounced the opposition camp's criticism of the negative aspects of the Koizumi reform initiative. Nakagawa said:

"Thanks to the Koizumi reform drive, we can finally see light in the Japanese economy. But (if reforms are discontinued,) we will put the economy back in darkness again and make Japan one of the losers in the international community. It is utterly foolish to stop the reforms from the viewpoint of narrowing the wealth gap and retrace our steps backward."

Other questioners also emphasized: "The result of the reforms is a separate matter from the widening gap in the society."

However, former Labor Minister Fumiaki Ibuki, chairman of the Ibuki faction, expressed apprehension about reforms going too far through deregulation. Ibuki made the following remarks:

"It is necessary for the ruling parties, which are responsible for the cabinet, to promote reforms. But when they are headed the wrong way, the brakes must be applied. . . . Unless (market and competitive principles) are used consciously and modestly, problems like the wealth gap will unavoidably emerge. . . . I hope the prime minister will also grapple with constitutional revision, a revision of the Basic Education Law, and a resuscitation of local communities and families with earnest, as was done for the postal privatization issue."

Meanwhile, LDP cabinet ministers also indicated slightly different stances in their Diet replies on future structural reforms. Minister of Economy, Trade, and Industry Nikai reiterated the need for efforts to dissolve economic discrepancies between cities and farming villages, saying: "Reform is a wonderful word, but regional gaps are now apparent. We would like to work out (official aid measures) and present bright prospects for the Japanese economy."

15) Policy Research Council Chairman Nakagawa comes up with

rising-tide policy; Aimed to double income through 4% growth in GDP

MAINICHI (Page 5) (Excerpts)
February 7, 2006

Hidenao Nakagawa, chairman of the Liberal Democratic Party (LDP) Policy Research Council during yesterday's Lower House Budget Committee session in the Diet came up with a rising-tide policy of aiming for an annual growth rate of 4% for nominal gross domestic product (GDP). He has thus taken the offensive on a mounting argument denying the Koizumi reform initiative, by advocating an economic policy, premised on progress in the government's reform efforts. He stressed that under the proposed

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policy, national income will double over less than two decades, a policy that sounds like a second coming of the Ikeda cabinet's income doubling plan. This policy is, however, already drawing criticism as being pie in the sky.

Policy proposed to counter denial of reform efforts; Criticism being heard from fellow LDP lawmakers

Nakagawa is motivated by the desire to take the lead on economic policy, by helping to bring about a premiership under Shinzo Abe through a rising-tide policy. This policy will likely become a main contentious issue in the race to choose a successor to Prime Minister Koizumi.

The rising-tide policy consists of two growth strategies and five policy items intended to materialize them. The policy aims to attain 4% growth, by strengthening the nation's international competitive edge and combining various financial policies, on the basis of progress in the structural reforms. Nakagawa also referred to a possible introduction of an inflation target, noting, "It is a common practice throughout the world to aim for an inflation of 2 - 3 % ."

16) Defense chief suggests giving consideration to locals while affirming Cape Henoko plan

ASAHI (Page 4) (Full)
February 7, 2006

In connection with the fact that Mayor Tateo Kishimoto of Nago, a relocation site for US Marine Corps Futenma Air Station, released a statement the other day rejecting separate talks with the government, Defense Agency Director General Fukushima Nukaga told a press conference yesterday:

"Talks are underway between Japan and the United States based on principles in an interim report. We have been working hard to minimize the local burden."

Nukaga thus indicated that the government would give consideration to flight routes and noise while suggesting maintaining a Cape Henoko plan, as agreed upon between Japan and the US.

Defense Agency Administrative Vice Minister Takemasa Moriya also stressed in the press conference yesterday that the government would keep working on Nago to persuade the city to accept the Cape Henoko plan.

17) Global ban on boneless beef exports likely to be lifted with OIE's proposal for easing the current guideline allowing exports of cattle aged at 30 months or younger; MAFF skeptical, saying, "It's questionable from scientific point of view"

YOMIURI (Page 2) (Full)
February 7, 2006

The OIE, a Paris-based world organization for animal health that sets the international guidelines against BSE, has indicated to its member nations a proposal for revision to the guidelines

against BSE, the Yomiuri Shimbun learned yesterday. According to the proposal, the present requirement of beef trade allowing free

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trade of boneless beef from cattle aged 30 months or younger will be eased to allow exports of boneless beef from cattle of all ages. Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) and other government agencies are critical of the revision proposal, arguing: "That is questionable from a scientific point of view." The revision proposal will be put on agenda for discussion at the OIE general assembly slated for May.

MAFF and the Ministry of Health, Labor and Welfare (MHLW) will hold an expert meeting today and discuss the OIE's proposal. Based on views indicated at that meeting and other opinions, the government is expected to determine its attitude. Japan has stated that the condition for the second resumption of US beef imports is to remove the specified risk materials, such as brains, from cattle younger than 20 months. If the OIE revision is approved, the United States is likely to increasingly pressure Japan.

SCHIEFFER